J.C. Penney Company, Inc. Annual Report 1969

Financial Highlights	1969 (53 weeks)	1968 (52 weeks)
Sales	$3,756,091,636	$3,322,621,612
Per cent increase over prior year	13.0	15.3
Net income	110,926,974	109,251,841
Per cent increase over prior year	1.5	19.2
Per cent of stockholders' equity	18.6	20.7
Net income per share—primary	2.15	2.12
—fully diluted	2.08	2.08
Dividends per share	1.00	.90
Capital expenditures	138,777,957	126,688,595

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"The coming of age of the postwar generation, rising incomes, expanding educational horizons, the trek to the suburbs and new scientific breakthroughs are making for a vast transformation of the consumer market. The dimensions of change in the decade of the Seventies will be far greater than experienced in any comparable period in the nation's history."
—From *The Consumer of the Seventies,* prepared by the National Industrial Conference Board.

We entered the Seventies both pleased and disappointed. Pleased, because in fiscal 1969 sales reached $3.8 billion, an increase of 13 per cent. Disappointed, because net income, while a record $110.9 million, or $2.15 per share, increased only 1.5 per cent over 1968.

Several factors accounted for this modest increase in profits. The Federal government's efforts to control the rate of inflation tended to slow down the pace of consumer purchasing during the important fourth quarter. Our interest costs were $19.8 million more than in 1968, resulting in a reduction in net income of 16 cents per share. Higher than normal markdowns and shrinkage and increased operating costs also adversely affected 1969 profits.

In addition, we bore the start-up costs for the 2.2 million square foot catalog distribution center in Atlanta, which contributed to a higher level of operating loss in our catalog operation during 1969.

These unfavorable factors were partially offset by a reduction in the allowance for doubtful customer accounts which brought the allowance closer to our actual loss experience. The reduction contributed six cents per share to net income.

On the plus side for the year, sales and earnings of The Treasury stores division showed continued improvement. This was the first full year of operation for the four Atlanta-area stores. "The Treasury, Family Store and Food Center" was selected as the name to be used for all new stores of this division.

In its first full year as a part of the Penney Company, Thrift Drug continued its pattern of sales growth and profitable operation.

This was the second full year of operation for our insurance subsidiaries, and we are pleased to report that they achieved an increase in profitability.

In 1969 we strengthened our position in European retailing by increasing our ownership of Sarma, S.A., based in Belgium, to 98 per cent, and through the establishment of a new subsidiary for the operation of stores in Italy.

We also had important advancements of members of Penney's management team. Twelve men whose positions have grown in scope and impact as the Company has broadened its operations during the past several years were elected vice presidents. They are:

- Robert L. Adair, Controller
- Jack F. Behrendt, Director of The Treasury Stores
- Robert B. Gill, General Merchandise Manager of Hard Lines
- Wallis G. Hocker, General Credit Manager
- Oscar J. Hunter, Eastern Regional Manager
- Jack B. Jackson, Southern Regional Manager
- Arthur Jacobsen, formerly Treasurer, who assumed the new position of Director of Consumer Financial Services
- Stanley J. Putman, Mountain Regional Manager
- Foster E. Sears, Director of Real Estate
- George M. Stone, Director of Government and Public Relations
- Robert R. Van Kleek, Western Regional Manager
- H. L. Wright, Central Regional Manager

Excitement in shopping: Penney's youthful, more affluent customers increasingly focus their attention on fashion and quality.

Paul R. Kaltinick was promoted to Treasurer and Albert W. Driver, Jr. to Secretary.

Further information on the past year is contained in the 1969 Review of Operations and Financial Information, beginning at page 22.

Economic forecasts for 1970 vary considerably. Some economists expect the current slowdown to continue through midyear with an upturn coming in the latter part of the year. Others think we are now at the beginning of a prolonged recession. In any event, it is clear that consumers in 1970 will be more discriminating and will shop more prudently.

When consumers emphasize quality and value as they make their buying decisions, Penney's position is stronger because of our traditional emphasis on these factors. We, therefore, look to 1970 with confidence.

During the year, we anticipate capital expenditures exceeding $200 million, which will be the largest in our Company's history.

We plan to increase our store physical plant by approximately 6 million gross square feet. The projected 1970 store expansion will bring Penney's total store plant to approximately 74 million gross square feet.

We presently plan to open 35 new Penney stores and five "The Treasury" units. Each of these stores will have an auto center. Of the Penney stores, 14 will serve new market areas, while 21 will be enlarged relocations of existing units. In addition, 18 new Thrift Drug stores are planned for opening during the year.

Catalog expansion will continue as a result of the opening of the second catalog distribution center in Atlanta. Approximately 80 new catalog sales centers will be opened in Penney stores during the year, augmenting the 944 catalog sales centers already in operation.

We also look to the entire decade of the Seventies with confidence. Our development over the past ten year period has provided a sound foundation for growth in the Seventies.

Consider the Penney Company in 1960. It consisted of a chain of soft goods stores, mainly in downtown areas, and most of our business was still on a cash-only basis. We had no catalog sales.

Today, we have expanded from a soft goods base into a full range of fashion apparel, merchandise for leisure activities and goods for the home. We are developing The Treasury stores as another means of serving customers. We are deeply involved in automotive accessories and service. We offer credit. Through Thrift Drug we have expanded our position in the growing market for drugs and health and beauty aids. Through Sarma, S.A., and our new Italian venture, we have become European retailers. Our catalog operation is rapidly expanding. And we are now in the insurance business.

Over the last three years we have added an average of more than 5 million gross square feet of store space per year. The continued expansion of Penney, The Treasury and Thrift Drug stores through 1974 is expected to equal or exceed this rate. The uncertainties of the money market, however, coupled with accelerated land and construction costs, could alter these plans.

Through all this change and growth we have not lost our identity. We have, however, defined our mission more broadly. What is Penney of the Seventies? No longer is it just a chain of stores. We are an evolutionary organization for providing an ever-widening variety of goods and services to individual consumers whose shopping needs and shopping moods vary from day to day.

The rate of change will accelerate in the Seventies. The need to antici-

Volume distribution: Scene in a Penney warehouse illustrates the great amount of merchandise that the Company moves speedily and efficiently.

William M. Batten

Cecil L. Wright

pate and manage change will become even greater. In a series of meetings held early in 1970, we emphasized to all our management associates the importance of change and its effect on our business. We stress these points because our insight into the changing needs and desires of our customers will determine the ways we seek to serve them in the Seventies. Our customers in the Seventies will be much more affluent, better educated, younger and more sophisticated.

This is both a challenge and a great opportunity. Customers will give closer attention to quality, to price and even to any effect the products we offer may have on our natural environment. They will more than ever seek the merchandise in all lines which gives them the best value and which represents the greatest product integrity. The age of consumerism has arrived. Our tradition of assuring the quality of the merchandise we offer to our customers and our on-going consumer education programs can only strengthen our position in such an age.

There are other important consequences of these changes in the character of consumers that will be especially significant to Penney in the Seventies.

Demand for more fashionable and higher quality products, whether goods or services, will rise at a greater rate than demand for staple goods. We moved decisively in the Sixties to broaden our product lines, and we will continue to do so. Our stress on fashion and individuality in taste will become stronger in the Seventies.

Greater concern over the quality of life will encourage the pursuit of comfortable living. The convenience in shopping offered by Penney stores in regional shopping centers, The Treasury stores and our catalog operation will take on new significance. In the face of efforts to improve public mass transit, the automobile still will proliferate. Our auto centers will grow as important sources of new business.

Early retirement, the growth of pension and retirement plans and the complexity of managing family financial affairs will enhance the market for insurance and other financial services. We now have a foothold in this field and plan to diversify and expand in the Seventies.

Emphasis on technological improvements in all areas of our business will become even stronger. We are going to be handling, selling and receiving payment for more goods each year, and we are going to be dealing with more customers. We must constantly update our control, accounting and management systems. We are continuing to pursue the development of a transaction recorder at the point of sale in order to provide better customer service and to capture automatically information for our data processing systems.

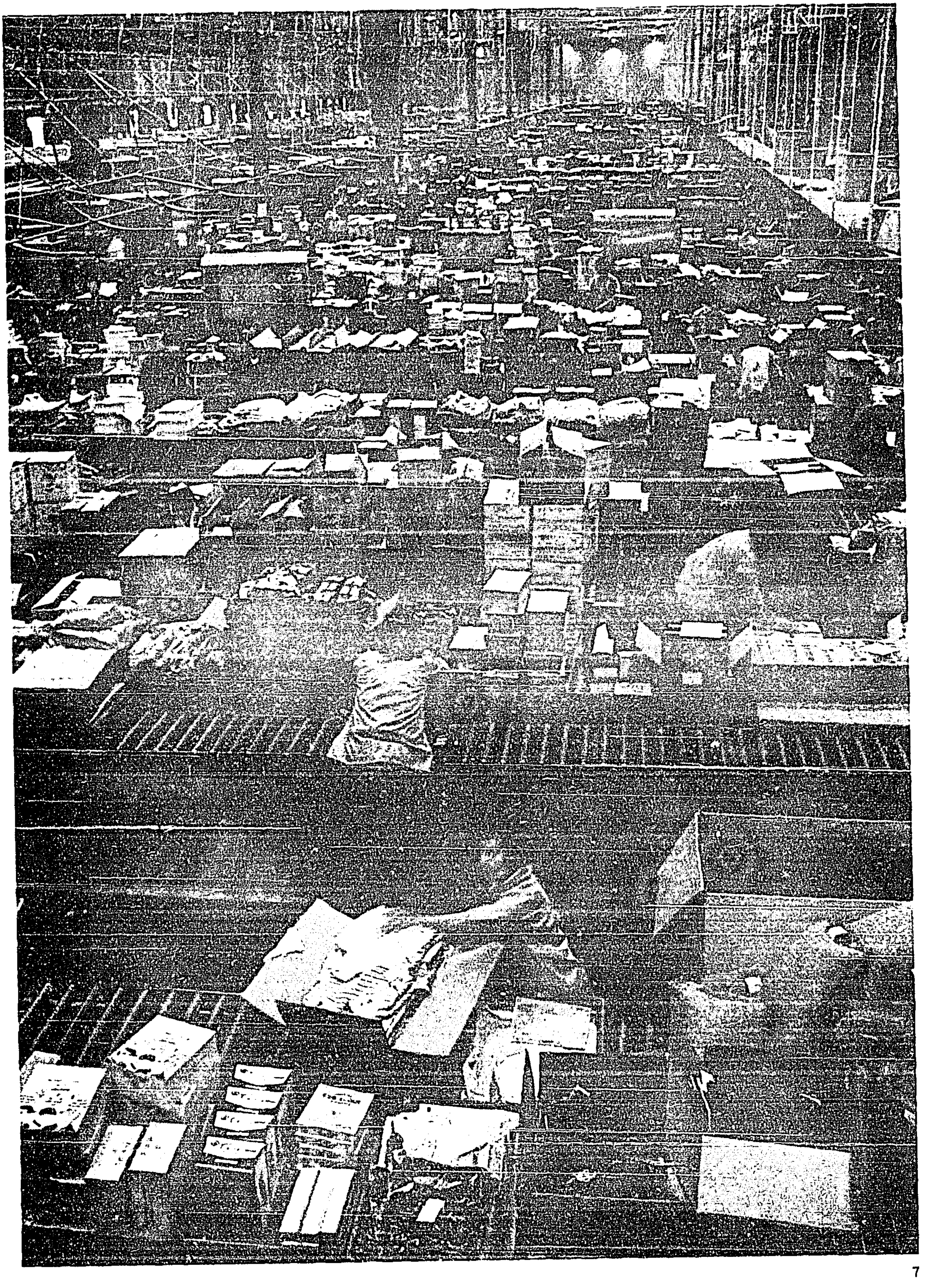
Last, but possibly most important, our reputation among our customers will become more critical. That is because of their sophistication and the rise of consumerism, and also because the younger generation is much quicker to become skeptical of existing institutions no matter how long lived or well respected. We will maintain our good name only by constantly emphasizing product quality, service and customer relations.

Our record shows that we have had the capability to adapt and grow over the past years. We have every reason to believe that we will continue to do so over the next ten, and beyond.

This, we believe, is the shape of things to come. In the following pages of this report, we present a more detailed look at the Penney Company as it is today, on the threshold of the Seventies.

William M. Batten — Chairman of the Board

Cecil L. Wright — President



While Penney has defined its mission more broadly, development of the Penney store still is at the core of the Company's strategy for growth in the Seventies. Penney stores have been, and will continue to be, the backbone and the muscle of the Company.

Building on the firm base of Penney's soft goods business, the Company has been adding full line stores carrying expanded lines of merchandise. The addition of such stores is a major factor in the Company's effort to provide consumers with a broad range of Penney fashion apparel, and merchandise for leisure activities and for the home. The role of the full line Penney store is to offer a wide selection of fashion and soft goods items with a large, comprehensive assortment of hard lines of merchandise at convenient locations in growing markets, and to stress customer services.

The goal of the Company, however, is not just to add more and more stores of the same type. We are continually engaged in extensive research and experimentation to determine the proper sites for stores in both large and small markets and the sizes and forms of such stores.

A developmental store scheduled to

open in 1970 provides a good example of the evolution in Penney stores. This store is of a type which can be opened in smaller markets. It is free standing, in contrast to the Penney stores in larger metropolitan areas, which usually are in regional shopping centers. In size, the store is 115,000 gross square feet, with net selling space of 83,000 square feet.

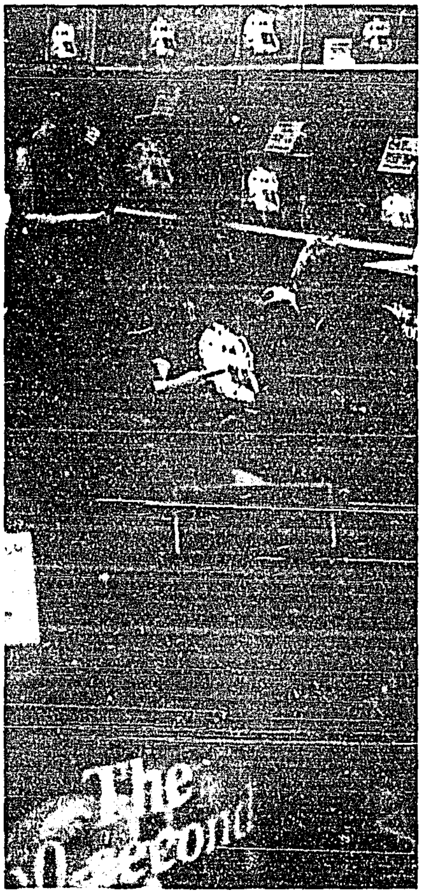
Besides a full range of apparel and merchandise for leisure and the home, the store has a beauty salon, a restaurant, and a large, leased supermarket.

There are other innovations. Elements that have proven attractive in The Treasury stores have been incorporated in store design. Aisles are wide and inviting and shopping carts enhance convenience. Some departments are completely self service, and there are new, efficient checkout facilities.

Fashion goods are displayed in bright, carpeted areas, and there is a convenient catalog sales center.

This store, of course, is only one example, and it by no means represents the definitive Penney store of the Seventies. Variations in size, in decor, in facilities and in services will keep evolving, and no one Penney store will be "typical." All such variations,

A glimpse of the many ways in which Penney is striving to enhance customer service and appeal in its stores: A Penney associate offers a customer expert fashion advice. Appliance shoppers receive detailed explanations. A Penney store in a shopping center has an inviting entrance. Television shoppers get close personal attention. A customer has a chance to select his own bicycle.



however, have one element in common. They are engineered to create a specific environment for a specific market.

Along with the program of building stores designed to accommodate a broad range of Penney merchandise in recent years, emphasis has also been placed on further strengthening our apparel and soft goods business through the continual updating and remodeling of stores which carry primarily these lines of merchandise. They are the bedrock of Penney's business, providing a very important part of our sales and earnings and thus helping to finance further diversification and growth.

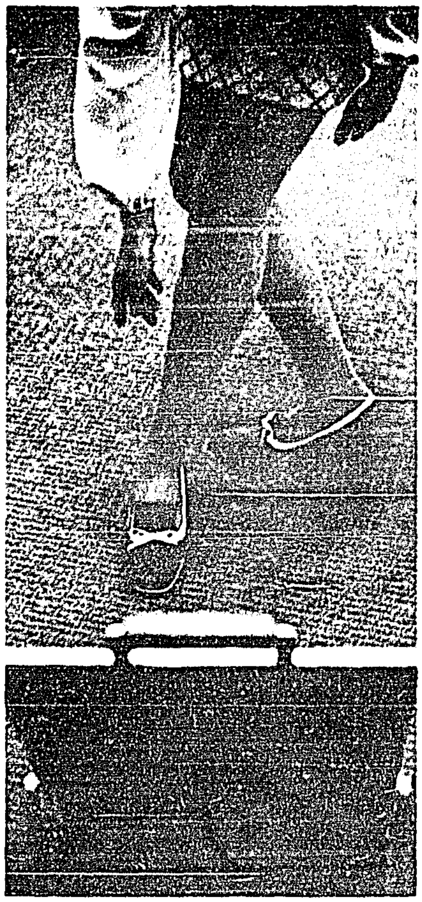
The catalog operation, moreover, enables these stores to perform a much broader function in distributing Penney merchandise. With catalog sales centers, these stores expose their customers to the full range of Penney products. Catalog centers in soft line stores have been demonstrably successful in increasing total sales of the stores.

In Penney stores, the presentation and display of fashion merchandise is geared to a "total" look. The objective is to show customers that they can find all the fashion items they want in one place—the Penney store.

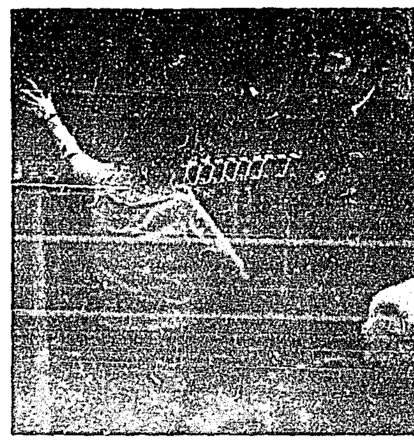
The degree of success the Company achieves in fashion merchandise depends greatly on being aware of fast-breaking changes in styles, and how quickly such knowledge is translated into merchandise on display in the stores and backed up by appropriate inventories.

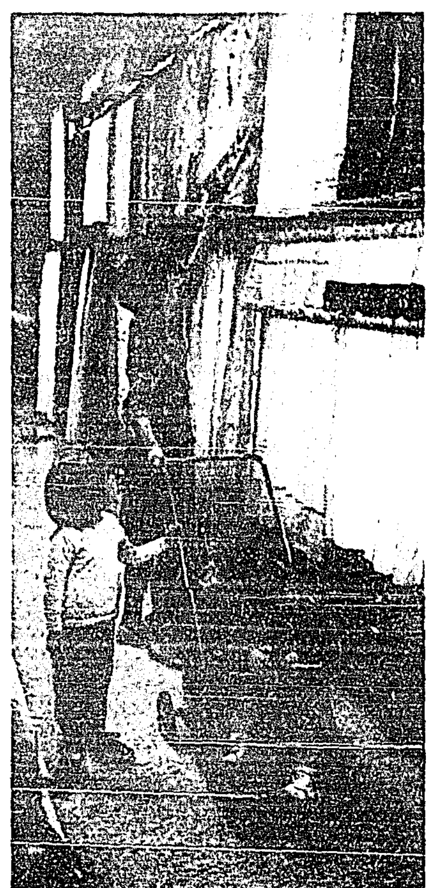
Penney buying offices in New York City, Los Angeles, Miami and Dallas, and in Europe and the Far East, keep the Company tuned in to shifts in fashion.

Penney in recent years has also become a leader in providing automotive services and products to consumers.



The photographs on these pages illustrate the broad appeal of full line stores to many different customers with varying needs. On the opposite page, customers for such diverse products as furniture, beauty aids, fashion shoes and wedding gowns are shown in typical store scenes; shoppers at an in-store catalog sales center are exposed to an even wider range of goods. On this page are scenes that typify Penney's friendly, helpful service and inviting displays of goods.





In addition to its business in automotive diagnostic services, gasoline, high performance automotive products, auto sound systems and recreational vehicles, Penney in 1969 moved in several directions to diversify in the automotive field.

The Company's first truck centers in Buena Park, California and Seattle, Washington were opened. The Company's first car wash was installed in Atlanta, Georgia.

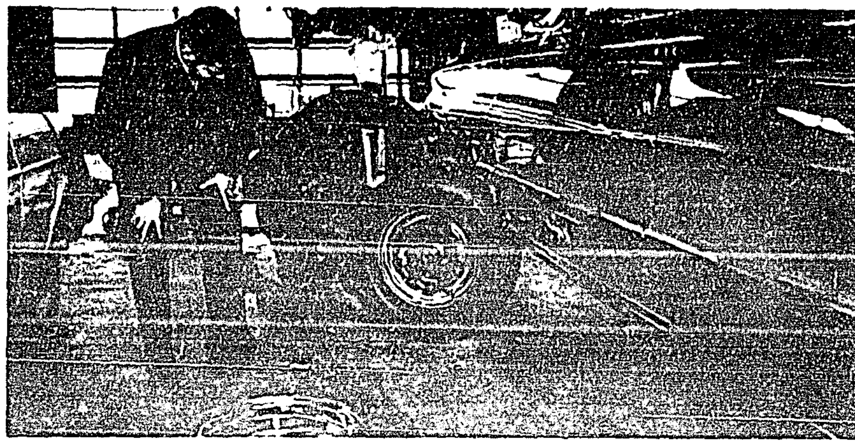
Penney merchandising in passenger tires is especially noteworthy. With the emphasis on performance, Penney's new "Scat-Trac 60" tire appeals to the fast growing youth market. The tire program offers a good illustration of the way in which Penney products are being engineered to meet changing consumer needs and wants for the Seventies in the field of automotive products.

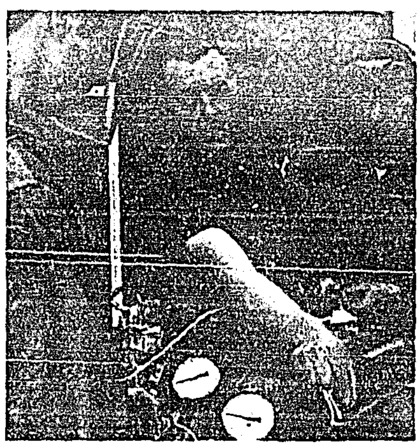
Similarly, Penney is stepping up efforts to market other automotive merchandise and services that promise high profitability, such as specialized tires for recreational vehicles and stereo tape decks.

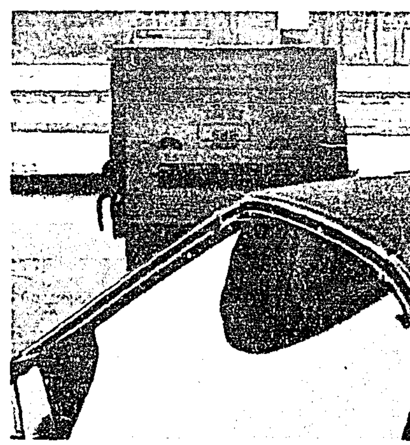
In the truck market, Penney has started two separate programs, one aimed at the retail market for replacement tires, parts, accessories and service; the other aimed at the wholesale market through truck centers and national centralized merchandising.

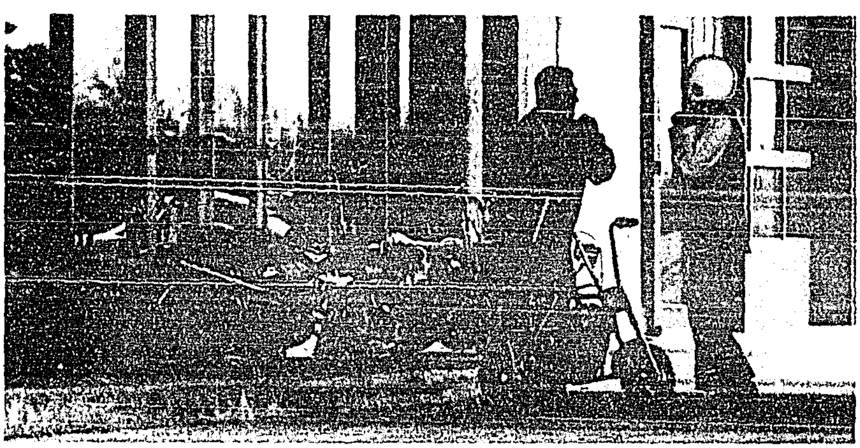
A newly developed prototype auto center to accompany new full line stores illustrates current directions in design. It features a larger sales area, expanded service bays and a diagnostic lane with a show window-like effect. This concept also provides more comfortable customer waiting areas, and generally offers a more attractive looking, yet easily enlargeable facility.

Penney auto centers are engineered to provide highly skilled service to meet the needs of the automobile owner of the Seventies. Photographs show diagnostic testing, on-the-job training and a sampling of products and other services.









Catalog

Since the first Penney catalog was published in the fall of 1963, the catalog operation has enjoyed rapid growth. Catalog is expected to be profitable after in-store catalog service is made available on a nationwide basis in the mid-Seventies.

Last year the Atlanta, Georgia catalog distribution center was opened, and the number of catalog sales centers in Penney stores was increased. Total circulation of Penney catalogs also increased during the year.

The Atlanta distribution center is designed to provide more efficient service for Penney customers in the growing southeastern and southwestern markets, and to enable the Company to enter new markets in the densely populated northeastern portion of the country.

The catalog operation offers important advantages. It has proved successful in generating increased store traffic and sales, especially in Penney soft line stores which do not offer the wide variety of goods available in full line stores. It permits Penney to serve customers through telephone ordering or direct mail when they are unable actually to visit a Penney store or when they prefer to do their

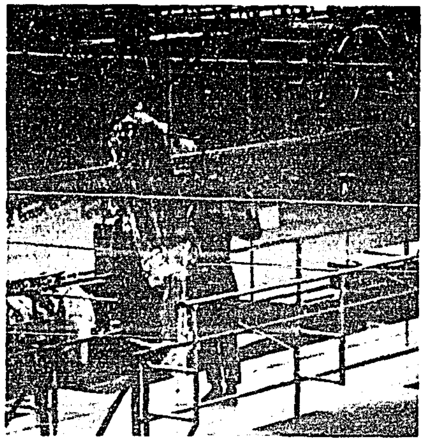
shopping in their own home.

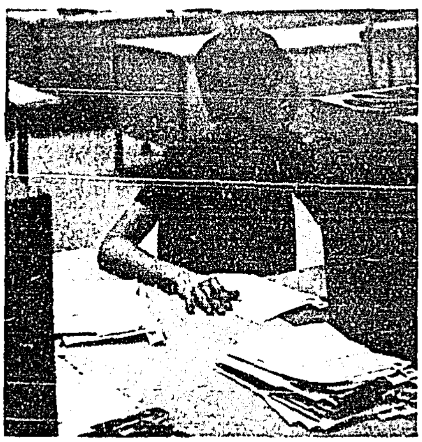
Moreover, the catalog program has permitted Penney to increase sales of goods for which national distribution through normal store channels would not be feasible or sufficiently profitable. For example, a wider variety of unusual dress sizes can be supplied profitably through the catalog operation than through in-store merchandising. This is because few stores have sufficient demand for the unusual sizes to justify the expense and risk involved. Aside from the dollars and cents directly at stake, the availability of the widest possible selection of goods helps maintain customer loyalty to Penney brands and the values they represent.

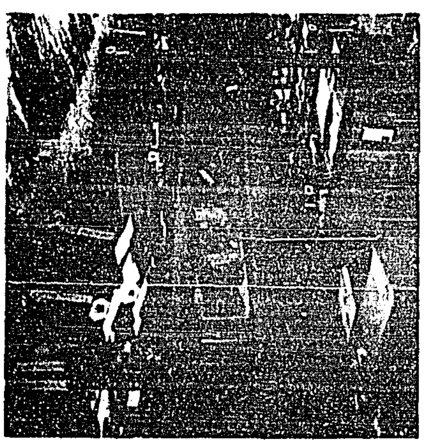
In a concrete way, the catalog operation can transform a relatively small store—or even the customer's own home—into an outlet for the complete range of Penney merchandise.

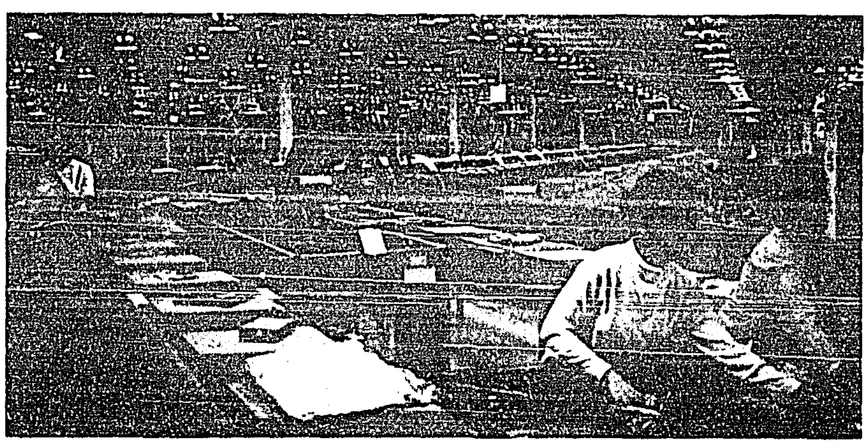
Because customer acceptance of merchandise displayed in the catalog is demonstrated early in any given season, the catalog operation also provides indications of the potential of merchandise items to Penney's buyers, which they apply to their evaluation of items for in-store sales.

Catalog shopping increasingly appeals to fashionable, home oriented families, as the photograph on the opposite page demonstrates. Other scenes emphasize the size and efficiency of Penney's catalog operation.









The Treasury

For some years, The Treasury stores served as experimental laboratories for new merchandising ideas and techniques. In 1969, The Treasury became an operating division of the Company. Its stores will continue to reflect certain concepts and operations that differ from Penney stores.

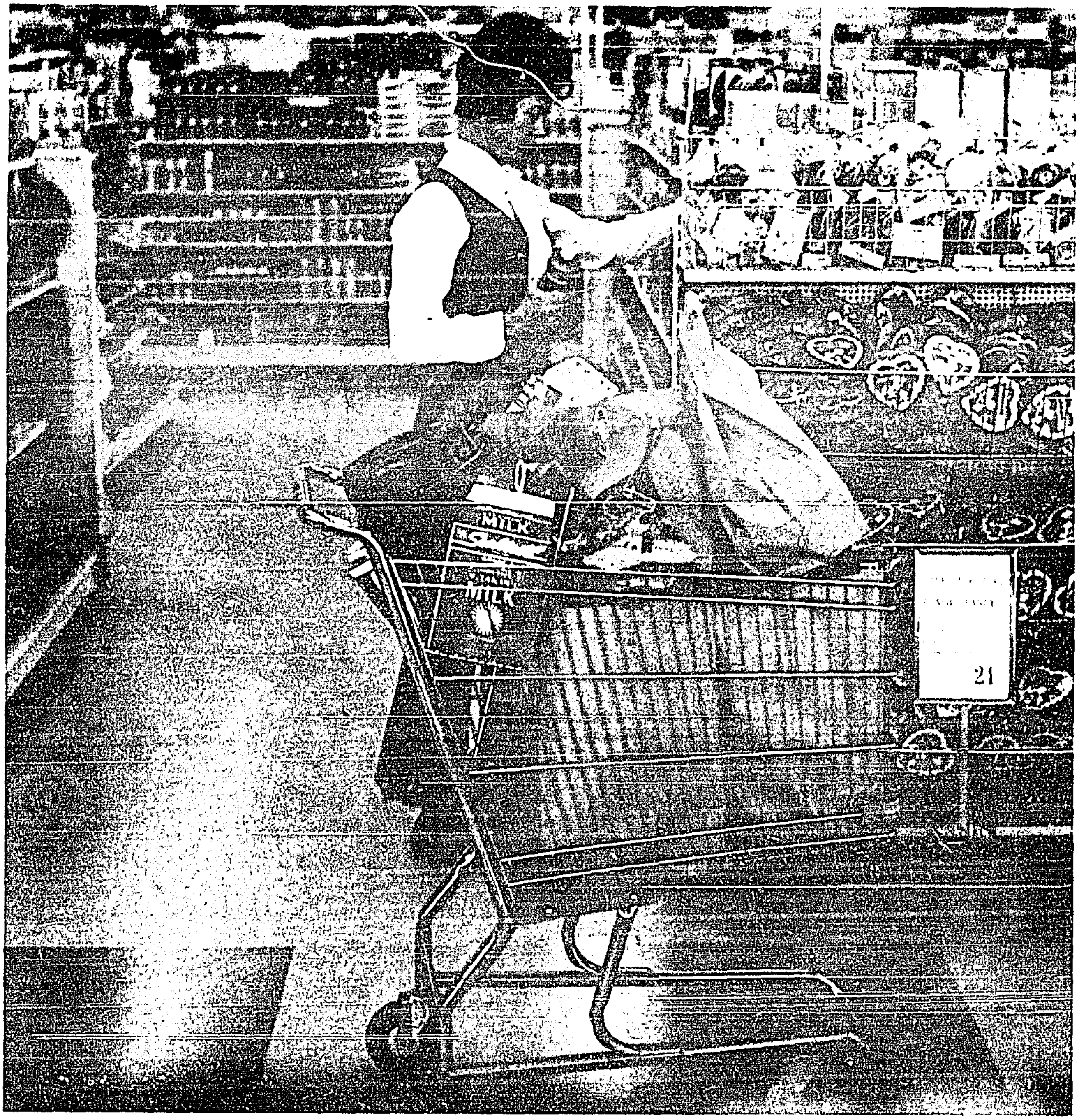
There are special advantages to these differences. Taken together, they give to The Treasury operation a distinct identity, clearly differentiated from Penney stores.

It now has been demonstrated that profitable operations of both The Treasury stores and Penney stores can be achieved in the same market areas.

Also, it is significant that The Treasury stores are specifically designed for the convenience of customers who prefer self service, quick selection of merchandise and an informal store atmosphere.

Although they are not discount stores, The Treasury stores offer some of the features of discount store merchandising and operations. Thus they assist Penney in attracting and serving customers with a variety of shopping needs and desires.

In physical design, The Treasury



stores are free standing and single level, while Penney stores in major metropolitan areas normally are multi-level stores located in shopping centers. Supermarkets are integral parts of all The Treasury stores.

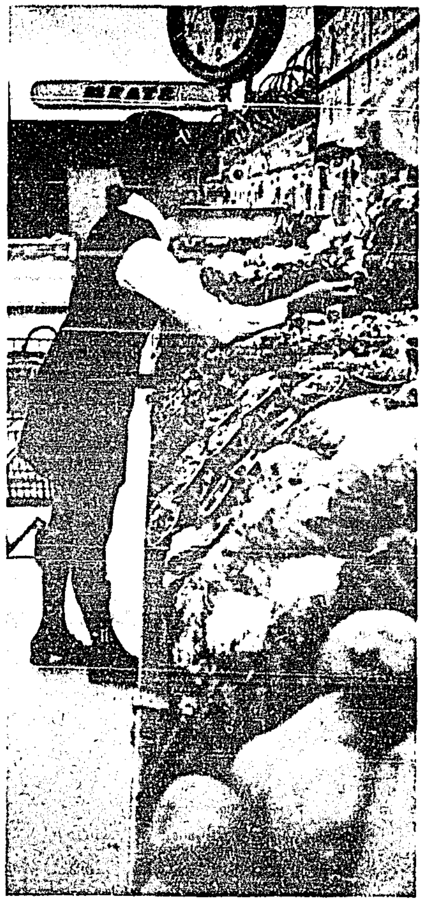
While The Treasury stores honor the Penney charge card, they do not carry merchandise with the Penney label. In hard line goods, the emphasis is on national brands and in other lines of merchandise, on The Treasury private labels.

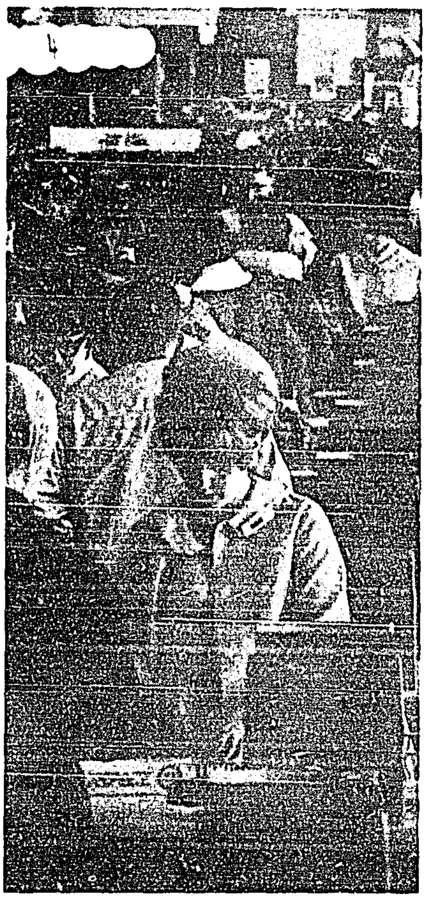
The Treasury advertising and sales promotion blends institutional overtones with emphasis on value, one stop convenience, informality and the fun of shopping in an attractive store environment.

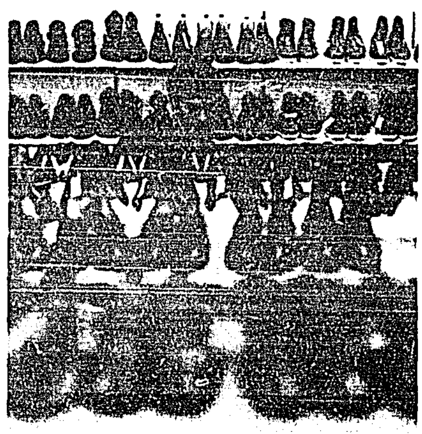
At the end of 1969, there were 10 of these stores in operation. Four are located in the Milwaukee area, one in Appleton, Wisconsin, one in Madison, Wisconsin and four in the Atlanta, Georgia area.

Another five stores are scheduled for opening during 1970, including two stores in Miami, Florida and three in Los Angeles, California. Planned for later opening are two additional stores in the Los Angeles area and three in Memphis, Tennessee.

The Treasury stores are free standing, and stress one stop convenience and informality for customers. The photographs show the spaciousness of shopping and display areas, the accessibility of merchandise to customers and check out convenience.







Thrift Drug

The merger of Thrift Drug Company and Penney in 1969 provided Penney with important additional products and services to offer the consumer.

Thrift Drug filled almost seven million prescriptions in 1969, and is also a volume retailer of health and beauty aids, in addition to other lines of "convenience" merchandise, such as candy and confections, and photographic supplies.

The operation of Thrift Drug is in the hands of expert and progressive management, and its primary business—ethical and proprietary drugs—has great potential. The growth of governmental, corporate and private health and welfare plans, which more and more frequently are providing payment for medicines, is an important trend. Because of increased fashion consciousness and attention to personal grooming, the demand for health and beauty aids is also growing rapidly.

Thrift, moreover, provides Penney with an experienced capability for distributing to and stocking health and beauty aid departments in Penney stores. Additionally, Thrift will operate prescription medicine and toiletries departments in some Penney stores.

Consumer Financial Services

In 1969 further progress was made toward the objective of providing additional financial services to more Penney customers. Marketing of accident and health insurance reached full national scope as authorization to conduct business in all 50 states was secured. In addition, life insurance operations are now authorized in 41 states. Insurance marketing in the brief period in which we have been in business has been mainly through mail offers to Penney charge account customers.

Rapid growth of this new business, as well as its early profitability, is indicative of the consumer acceptance and regard for Penney-sponsored services. In addition, the Company's customer list lends itself to marketing by mail, and premium billing can be combined with charge account statements.

An increasing number of people desire assistance in the preparation of their income tax returns. Recent changes which increased the complexities of the Federal tax law and return forms have enlarged the size of this market. Penney is now test marketing an income tax preparation service in Atlanta, Georgia; Jacksonville and Tampa-St. Petersburg, Florida.

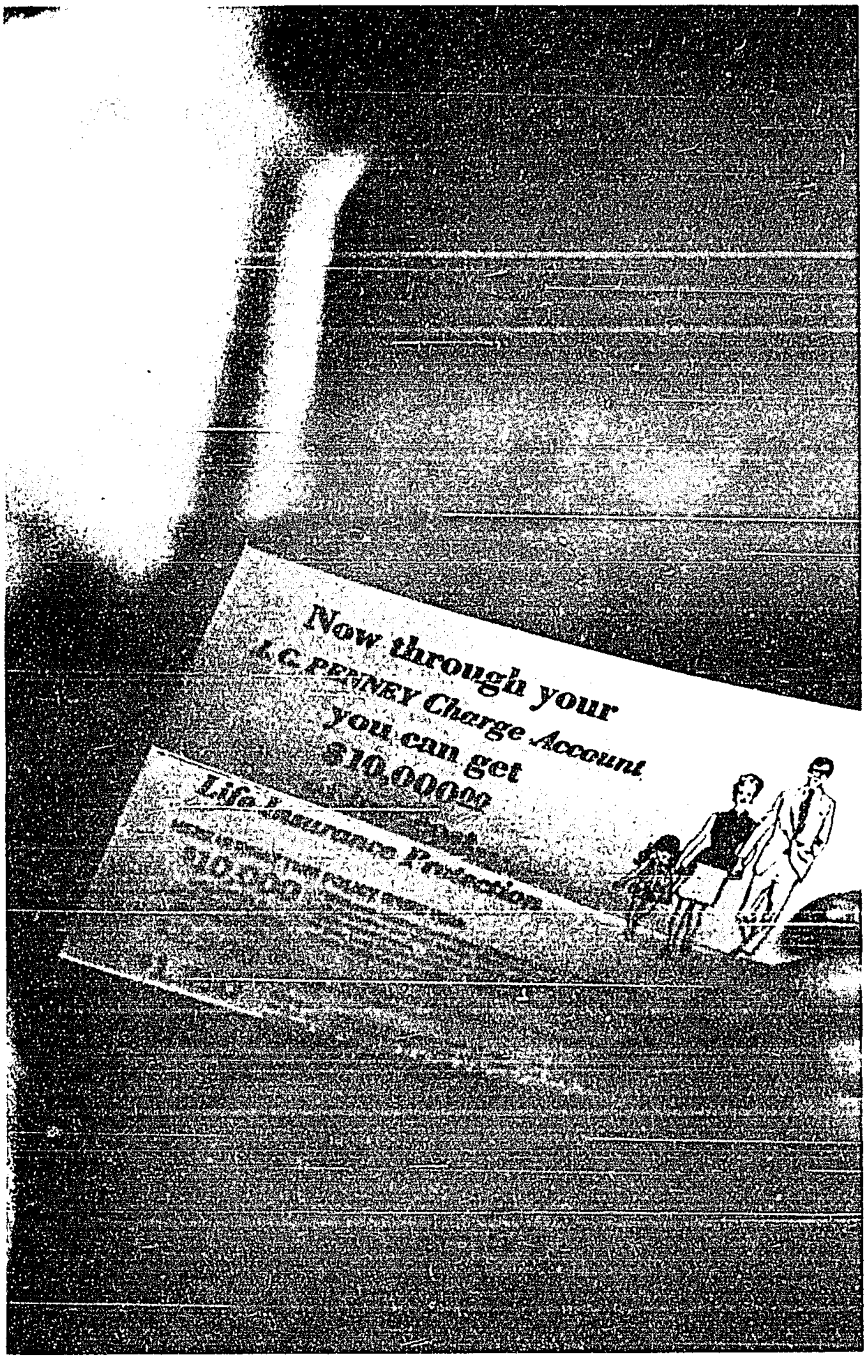
New Developments

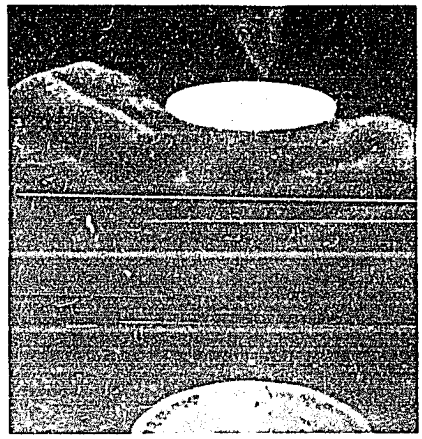
New and more specialized store concepts designed to fill specific customer needs are being developed.

Penney's first card shop, called *Partycard,* has been opened in San Diego, California. Other card shops are scheduled for opening in the near future.

Cafeterias comprise the second group of specialty establishments now being planned. These free standing cafeterias, called *Sungarden,* are scheduled for several locations.

The Penney Company is also operating experimentally a drapery dry cleaning service.





Investment abroad, especially in the increasingly prosperous nations of the European Economic Community, is attractive and feasible for an organization such as Penney.

Penney activities abroad now have reached the point where the Company can no longer be considered a strictly domestic retailer.

The development of communications and transportation capabilities is increasingly shrinking the world, and in many cases, the rate of economic growth of other developed nations in the Free World has exceeded that of the United States.

Such is the case in Italy and in Belgium, the two European Economic Community partners in which Penney is making investments.

Over the 1966-1968 period, real per capita output in Belgium increased by 3.1 per cent a year and in Italy by 4.6 per cent a year, compared with a yearly increase of 2.6 per cent in the United States.

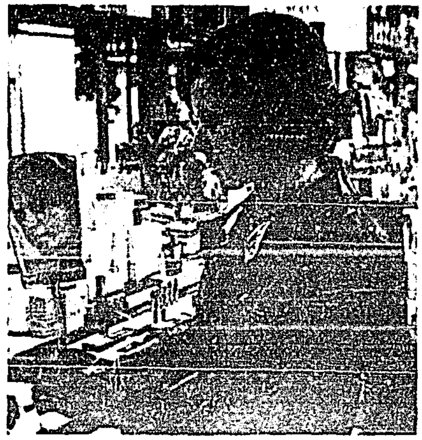
In 1968, Penney acquired a minority interest in Sarma, S.A., a leading European retailer, based in Brussels, Belgium. This interest was increased to 98 per cent in 1969.

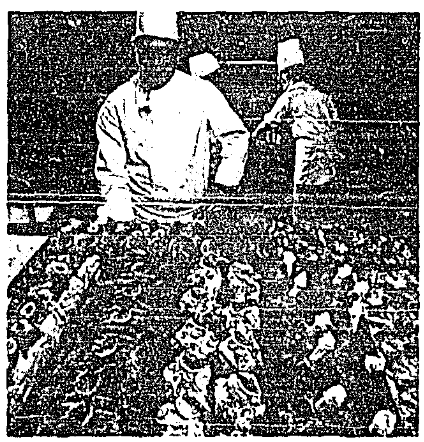
Sarma is principally a retailer of groceries and related products with some general merchandise, and it also operates restaurants.

A wholesale business distributes primarily food items to affiliated stores. Sarma is developing plans for a chain of larger, broader line stores with supermarkets.

Penney's expansion into Italy in 1969 came through the establishment of a new Italian subsidiary in association with two leading Italian retail executives. Plans call for opening a chain of apparel and home furnishing stores, beginning in 1971.

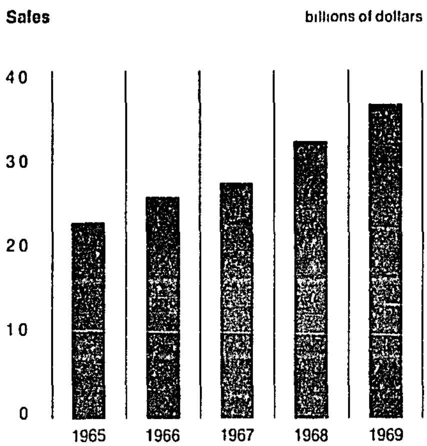
Sarma's expertise in the inviting display of food is dramatically illustrated on these pages. Freshness is emphasized; fish are sold live from a water tank. As the photographs show, Sarma is broadening its nonfood lines of products.





Sales reach $3.8 billion: In 1969 the Penney Company's sales rose to a record $3.8 billion, up 13.0 per cent from 1968 sales of $3.3 billion. All major operating divisions contributed to the sales gain as follows:

(In millions)	1969 (53 weeks)	1968 (52 weeks)	Per cent Increase
Penney stores			
Full line	$1,327.0	$1,002.0	32.4%
Soft line	2,019.4	2,013.3	.3
Total	3,346.4	3,015.3	11.0
Catalog	198.7	150.9	31.7
Treasury stores	127.5	85.4	49.4
Thrift Drug stores	83.5	71.0	17.5
Total sales	$3,756.1	$3,322.6	13.0%



Reflected in the sales generated by Penney stores in 1969 is the addition of 32 new full line stores and a decrease of 38 in the number of soft line stores.

Sales of Thrift Drug departments in Treasury stores are included in sales of The Treasury stores division.

Penney's fiscal year ends on the last Saturday of January. As a result every fifth or sixth year comprises 53 weeks, as was the case in fiscal 1969. On a comparable 52 week basis, 1969 sales were 11.6 per cent higher than 1968. Penney stores opened in 1969, including relocations of existing stores, contributed an increase of $61.1 million over 1968. In the five years ended January 31, 1970, the Company's sales have grown at an average compound annual rate of 11.9 per cent.

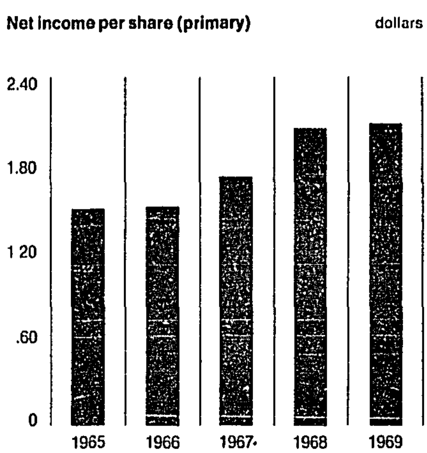
Net income higher: Net income after Federal income taxes was $110.9 million, up 1.5 per cent from $109.3 million in 1968. Income before Federal income taxes was $221.1 million compared to $227.2 million in 1968.

The change in net income per share from 1968 to 1969 was:

	1969	1968	Per cent Increase
Primary	$2.15	$2.12	1.5
Fully diluted	2.08	2.08	—

In determining primary net income per share, the weighted average number of common shares outstanding was increased for the assumed conversion of the convertible debentures of J. C. Penney Europe, Inc. The computation of fully diluted net income per share additionally assumes conversion of the Penney Company's convertible debentures and exercise of outstanding stock options.

In the five years ended January 31, 1970 primary net income per share has increased at an average compound annual rate of 9.8 per cent.



Taxes: In 1969 the provision for Federal income taxes was $110.1 million, an effective rate of 49.8 per cent compared with 51.9 per cent in 1968. The surcharge in effect in 1969 amounted to 19 cents per share compared with 22 cents in 1968.

In calculating the provision for Federal income taxes, Penney defers gross profit on installment sales and deducts greater amounts for depreciation than are recorded for financial accounting purposes. Accordingly, the provision for Federal income taxes includes tax effects of $24.8 million in 1969 and $18.4 million in 1968 that arise from such deferrals.

The investment credit declined to $3.0 million (6 cents per share) in 1969 from $3.4 million (7 cents per share) in 1968.

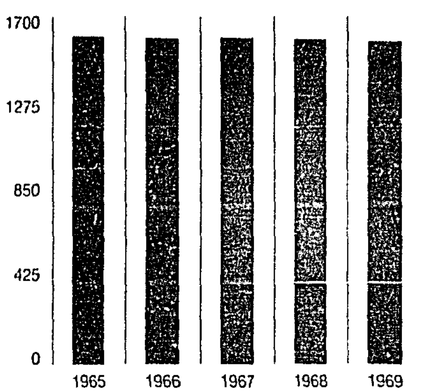
Taxes other than Federal totaled $61.6 million in 1969, up from $50.6 million in 1968.

Quarterly dividend of 25 cents: Penney declared four quarterly dividends of 25 cents per share for a total of $1 per share in 1969, up 11.1 per cent from 90 cents in 1968.

32 Penney stores opened: A total of 32 Penney stores were opened in 1969. All but one included an automotive center. All the new units are full line department stores offering soft lines and most or all of the following: stationery, records, luggage, candy and gourmet foods, cosmetics and toiletries, fine jewelry, photo shops, home entertainment centers, toys, games, hobbies, wheel goods, recreation equipment and apparel, furniture, major appliances, floor care products, paint, hardware and tools. During the year 38 stores were closed.

Penney opened the first of its new full line stores in 1963. New units added since then, including replacements of older stores in the same market areas, are shown below:

Number of Penney stores



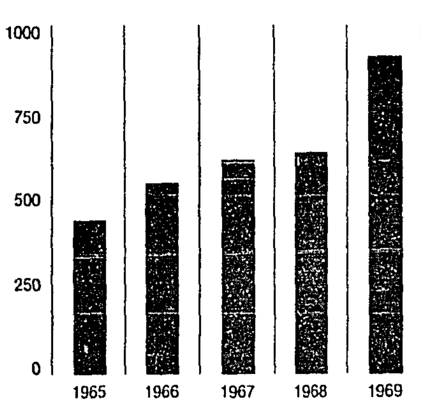
	1969	1968	1967	1966	1965	1964	1963
Full line							
New markets	10	14	15	8	7	4	7
Relocations	22	18	17	15	23	12	1
Total	32	32	32	23	30	16	8
Soft line	—	—	2	1	2	—	—
Total stores opened	32	32	34	24	32	16	8

New and relocated stores opened in 1969 averaged 145,000 gross square feet of store space, or 87,000 square feet of net selling space. Net selling space is defined as all floor space devoted to sales, including automotive service areas, licensed departments and customer food service areas, but excluding space for stock, offices, employee facilities, utilities, catalog activities and seasonal outside sales areas. Space added in 1969 (after deducting space in units that were closed) totaled 4.1 million gross square feet of Penney store space, or 2.2 million square feet of net selling space. The following tabulation shows the number of units and store space in operation at each year end:

	Penney stores			Auto	Million square feet	
	Full line*	Soft line	Total	Centers	Gross	Net
1969	208	1,438	1,646	217	64.9	34.9
1968	176	1,476	1,652	186	60.8	32.7
1967	141	1,517	1,658	144	55.5	29.8
1966	108	1,548	1,656	109	50.3	27.0
1965	82	1,582	1,664	82	46.5	24.9
1964	52	1,619	1,671	34	43.4	23.1
1963	36	1,642	1,678	6	41.4	22.2

*Including expansions of soft line stores to full line stores.

Number of catalog sales centers



Catalog opened new distribution center: In the summer of 1969 the Catalog division opened its second regional distribution center. This new facility is located in Atlanta, Georgia and has 2.2 million square feet, compared to 2.0 million for the distribution center in Milwaukee. There were 944 catalog sales centers in operation at year end, of which 921 were located in Penney stores. 284 sales centers were opened during the year. About two thirds of the division's volume was generated through sales centers in stores.

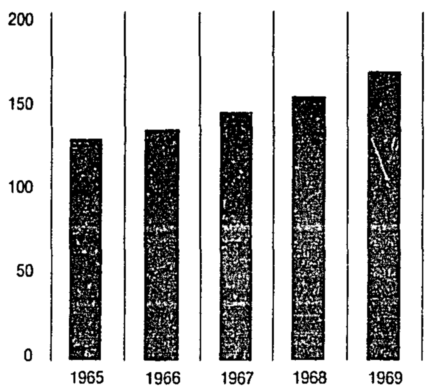
First full year for Atlanta Treasury stores: At the end of 1969 The Treasury stores division had 10 stores in operation, comprising 1.8 million gross square feet of store space, or net selling space of 1.2 million square feet. Six were located in Wisconsin and four, opened in late 1968, were located in the Atlanta, Georgia area. Treasury stores range in size up to 210,000 gross square feet of store space, or 141,000 square feet of net selling space. These stores combine self service with customer assistance. About 70 per cent of this division's volume resulted from sales of general merchandise. The other 30 per cent came from leased food supermarkets.

Thrift Drug added 14 stores: In 1969 Thrift Drug added 14 new retail stores. This brings total stores at the end of 1969 to 171 located in 10 states, with 1.1 million square feet of net selling space, excluding Thrift operations in The Treasury stores. Over half of Thrift's sales volume in 1969 consisted of ethical and proprietary drugs. Prescriptions filled in 1969 totaled 6.8 million, up 13.6 per cent from 6.0 million filled in 1968.

Rising credit sales reflected in higher receivables: Penney's credit sales in 1969 rose to $1.4 billion, up 15.9 per cent from $1.2 billion in 1968. During the year, use of the Penney charge card was extended to all units of The Treasury stores division. The maximum periods over which outstanding balances must be repaid were extended last July, with a resulting increase in total customer balances. Key operating statistics relative to credit operations are tabulated below:

	1969	1968
Credit sales to total sales	37.0%	36.1%
Regular charge account sales to total credit sales	86.8	87.2
Time payment sales to total credit sales	13.2	12.8

Number of Thrift drug stores



Receivables outstanding at year end under Penney's credit plans rose 17.7 per cent to $714.2 million from $607.0 million in 1968. Other data relevant to receivables and collections follow:

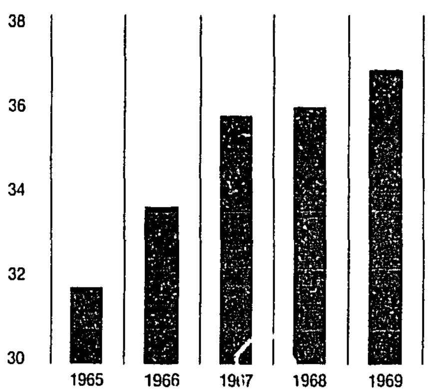
	January 31 1970	January 25 1969
Customer receivables, net (in millions)		
J. C. Penney Financial Corporation	$674.8	$532.5
J. C. Penney Company, Inc.	25.7	56.7
Allowance for bad debts (in millions)		
J. C. Penney Company, Inc.	14.3	18.2
Average balance per regular account	94.35	84.19
Average balance per time payment account	206.83	203.83
Net bad debt losses to total credit sales—for the year	1.0%	.8%

The allowance for bad debts was reduced in 1969 from 3 per cent to 2 per cent of customer receivables outstanding to reflect more closely Penney's actual experience.

The cost of administering the retail credit program continued to exceed service charges on customer receivables.

Inventories: Inventories, stated at the lower of cost or market and determined primarily by the retail method, amounted to $696.6 million at the end of 1969, compared to $613.2 million at the end of 1968. The increase resulted from the merchandising of 32 new stores, initial stocking of the Atlanta catalog distribution center, addition of new warehouse space for stores, and additional inventories to provide for the rise in volume generated by existing stores.

Credit sales per cent of total sales



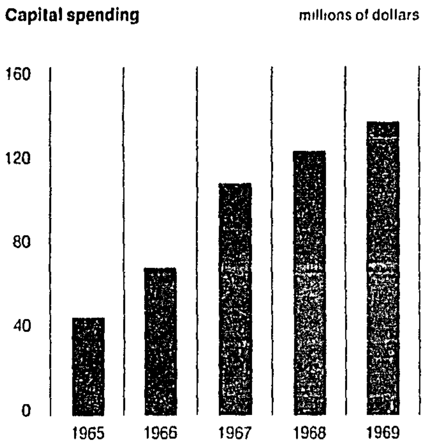
Properties: Penney's properties at year end were as follows:

(In millions)	January 31 1970	January 25 1969
Land	$ 59.2	$ 37.4
Buildings	102.7	76.1
Fixtures and equipment	370.0	321.7
Leasehold improvements	31.0	26.0
	562.9	461.2
Less accumulated depreciation and amortization	194.0	171.5
Properties, net	**$368.9**	**$289.7**

In 1969 Penney sold and leased back properties with an aggregate sales price of $21.5 million (the approximate cost to Penney of these properties).

Capital spending higher: Capital expenditures rose to $138.8 million in 1969, an increase of $12.1 million over 1968. Included in this amount were expenditures of $13.7 million to modernize and renovate older stores. In addition, landlords spent $71.5 million on Penney stores, compared with $87.0 million in 1968.

The net increase in total store space added during the year amounted to 4.2 million gross square feet, or 2.3 million square feet of net selling space.



Lease commitments: The Penney Company conducts the major part of its operations from leased premises of stores and other properties. Substantially all leases will expire during the next 30 years. In the normal course of business, however, leases are renewed or replaced by leases on other properties. Minimum annual rentals at January 31, 1970 amounted to $61.5 million. Rent expense, including rent based on sales, was $104.5 million in 1969 and $91.8 million in 1968.

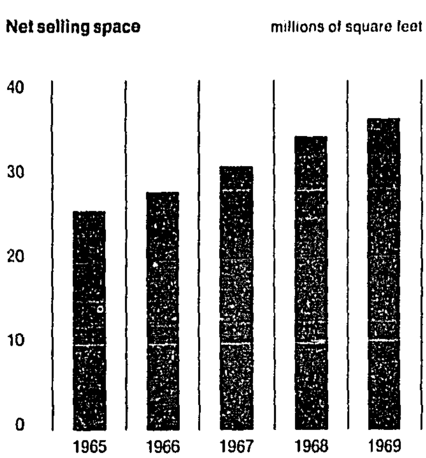
Penney's commitments under long term leases were approximately $285 million at year end. Long term leases are those which have a noncancellable term of more than three years. These commitments are stated at the present value of all future minimum payments under such leases, after excluding property taxes as well as maintenance, insurance and other amounts which do not constitute payments for property rights. A memorandum explaining the method used to calculate the value of lease commitments is available upon request.

Long term debt: Long term debt consisted of $125 million of 4¼ per cent subordinated debentures issued in 1968 and due in 1993, convertible into common stock at $50 per share. An annual 5 per cent sinking fund starts in 1979, but the debentures are redeemable by Penney at any time. Under the indenture approximately $197 million of reinvested earnings at January 31, 1970 was free of restrictions on payment of cash dividends and purchase of Penney's common stock.

Penney also has guaranteed the $37.8 million of debentures issued by Penney Europe which are described under "Foreign operations expanded" on page 28. To provide for conversion of the 4¼ per cent debentures and the debentures of Penney Europe, 3,174,221 shares of Penney common stock have been reserved.

Retirement plan: Penney Company full time associates become eligible to participate in the Company's retirement plan after 30 months of service. The plan consists of a contributory pension fund and a deferred profit sharing fund. Penney's contribution under the plan is based on income. It amounted to $19.4 million both in 1969 and in 1968. Accrued pension benefits have been fully funded.

At January 31, 1970 there were about 41,000 employees in the plan, and 2,781,170 shares of Penney stock were held in the plan for the accounts of participants.



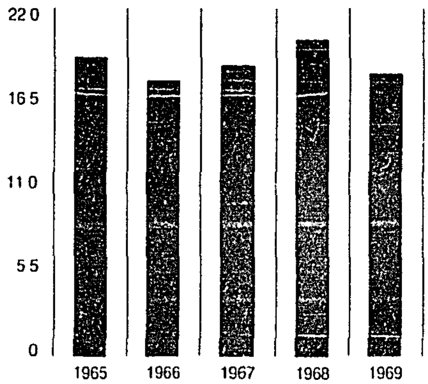
Stock options: At January 31, 1970 there were 476,552 shares of stock reserved for qualified stock option plans. Shares under options were as follows:

	Shares	Option price ranges
Balance at beginning of year	475,005	$22.59-34.00
Granted	53,800	53.25
Exercised	(67,711)	22.59-34.00
Expired	(4,062)	22.59-34.00
Balance at end of year	457,032	$22.59-53.25

Options for 236,072 shares were exercisable at the end of the year.

A stock option for 560 shares granted in connection with an acquisition in 1962 is exercisable at $19.51 per share on or before May 16, 1971.

Net income as per cent of stockholders' equity



Changes in working funds: Working funds during fiscal 1969 decreased by $28.9 million, compared with an increase of $143.9 million in 1968, as follows:

(In millions)	1969	1968
Working funds were generated from:		
Net income	$110.9	$109.3
Depreciation	31.7	28.7
Deferred credits, principally tax effects	24.8	18.4
Dividends	(52.0)	(46.0)
Provided from operations	115.4	110.4
Disposal of properties, principally by sale and leaseback	27.8	49.4
Sale of convertible debentures	—	123.6
Change in other assets	8.8	(8.5)
Stock options exercised	2.2	3.0
Provided from external sources	38.8	167.5
Total funds generated	154.2	277.9
Working funds were used for:		
Capital expenditures	138.8	126.7
Investment in subsidiaries	44.3	7.3
Total funds used	183.1	134.0
Increase (decrease) in working funds	$ (28.9)	$143.9

Working funds consist of current assets less current liabilities excluding deferred tax effects applicable to installment sales.

Operations of unconsolidated subsidiaries: The financial statements on pages 30 and 31 include the accounts of J. C. Penney Company, Inc. and its domestic merchandising and real estate subsidiaries. The table below shows the investment at year end in unconsolidated subsidiaries, stated at original cost plus equity in net income since formation or acquisition:

(In millions)	January 31 1970	January 25 1969
J. C. Penney Financial Corporation	$120.4	$88.8
J. C. Penney Insurance Companies	9.2	6.4
J. C. Penney Europe, Inc.	10.0	—
	$139.6	$95.2

J. C. Penney Financial Corporation: This corporation was created primarily to finance customer receivables resulting from Penney's credit sales. To provide the necessary funds Financial sells its short term notes (commercial paper) at prime market rates and, from time to time, issues long term debt.

In 1969 Financial purchased $1.5 billion of customer receivables from Penney, up from $1.2 billion in 1968. The average balance outstanding of commercial paper in 1969, net of short term investments, was $106.0 million higher than in 1968.

Financing operations were characterized by a very tight money market which caused interest rates to rise substantially. The interest rates on Financial's paper averaged 7.9 per cent, up from 5.9 per cent in 1968. Interest paid by Financial, net of investment income, rose $15.8 million, of which $6.1 million was due to higher borrowings and $9.7 million to higher interest rates.

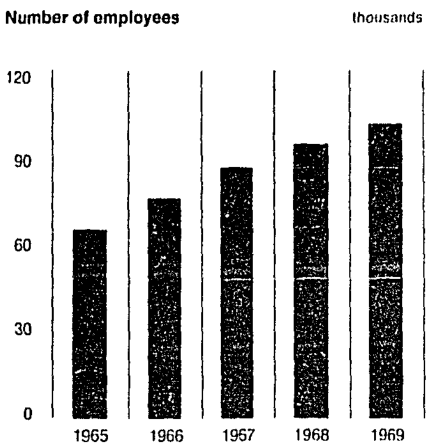
Penney made a capital contribution of $20.0 million to Financial during the year.

Net income of J. C. Penney Financial Corporation rose to $11.6 million in 1969 from $7.5 million in 1968. Financial's income before Federal income taxes is reflected in the parent company's statement of income as an offset against interest expense. Provision for Financial's Federal income tax obligation is included in Federal income taxes in Penney's statement of income.

Financial's earnings are not derived from service charges on customer receivables. They are generated mainly from monthly charges to the parent company. These charges are designed to cover Financial's fixed charges, chiefly interest on borrowings, at least one and a half times.

Following is a comparative summary of the balance sheets of J. C. Penney Financial Corporation:

(In millions)	January 31 1970	January 25 1969
Assets		
Customer receivables purchased from J. C. Penney Company, Inc., less 5% withheld pending collection	$674.8	$532.5
Due from J. C. Penney Company, Inc.	107.2	—
Cash and short term investments	2.5	20.2
Other assets	1.8	1.8
	$786.3	$554.5
Liabilities		
Notes payable	$559.6	$361.5
Accrued liabilities	6.3	4.2
Long term debt	100.0	100.0
Equity of J. C. Penney Company, Inc.	120.4	88.8
	$786.3	$554.5



At year end 1969, Penney and J. C. Penney Financial Corporation had lines of credit totaling $513 million with 467 banks in the United States, an increase of $46 million over year end 1968.

Insurance operations profitable: During 1969 J. C. Penney Insurance Company and J. C. Penney Life Insurance Company completed their second full year of offering insurance by mail to Penney charge account customers. The companies are authorized to sell accident and health insurance in all states and life insurance in 41 states. Combined results of the two companies were:

(In millions)	1969	1968
Premiums written	$7.3	$3.9
Underwriting income	1.6	.2
Investment income	.4	.3
Income before Federal income taxes	2.0	.5
Federal income taxes	1.0	.2
Net income	$1.0	$ .3

Net income of the insurance companies has been reflected in Penney's statement of income as a reduction of selling, general and administrative expenses.

Following in condensed form is a summary of the combined balance sheets of the insurance companies:

(In millions)	December 31 1969	December 31 1968
Assets		
Bonds, at amortized cost	$ 9.2	$7.7
Stocks, at market	.8	—
Real estate, net	1.1	—
Cash and investment income receivable	.7	.2
Deferred costs of policy acquisition and issue	1.3	1.0
	$13.1	$8.9
Liabilities		
Policy and claims reserves	$ 2.5	$1.5
Federal income taxes	1.3	.3
Other liabilities	.5	.4
Equity of J. C. Penney Company, Inc.	8.8	6.7
	$13.1	$8.9

The above condensed financial statements have been prepared in accordance with generally accepted accounting principles, which differ in some respects from those followed in reports to regulatory authorities.

Penney made a capital contribution of $1.1 million to J. C. Penney Insurance Company during 1969.

Foreign operations expanded: A wholly owned subsidiary, J. C. Penney Europe, Inc., was formed in July 1969, and capital of $10 million has been provided by the parent company. This subsidiary has invested in foreign operations with funds raised primarily through Eurodollar debenture offerings abroad.

Penney Europe's principal investment is in Sarma, S. A., a Belgian company. The investment in Sarma was increased to a majority position on August 6, 1969 and at the end of the fiscal year stood at 98 per cent. In December 1969, Penney Europe formed a new Italian corporation for the purpose of developing a chain of retail stores in that country. Operations of Sarma and the Italian subsidiary had no significant financial impact in fiscal 1969.

In August 1969, Penney Europe privately placed $12.8 million of 5 per cent convertible subordinated guaranteed debentures due 1989 in exchange for shares of Sarma. After August 6, 1972 these debentures are convertible into Penney common stock at $59.40 per share or are redeemable at Penney Europe's option.

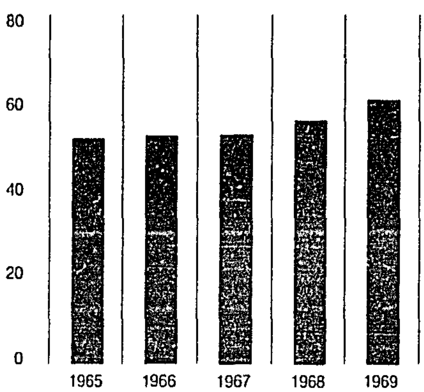
In December 1969, Penney Europe marketed $25 million of 6 per cent convertible subordinated guaranteed debentures due 1989 in a public offering outside the United States. This issue is convertible after June 30, 1970 into Penney common stock at $54.50 per share and is redeemable commencing December 1, 1972. Both issues are guaranteed by J. C. Penney Company, Inc.

Following is a summary of the consolidated financial position of J. C. Penney Europe, Inc.:

(In millions)		January 31 1970
Assets		
Cash and marketable securities		$21.9
Receivables		8.6
Inventories		17.2
Current assets		47.7
Properties, net		19.0
Excess of cost to purchase Sarma, S. A. over underlying net book value at date of acquisition		15.1
Other assets		6.6
		$88.4
Liabilities		
Current liabilities		$36.0
Long term debt:		
Convertible debentures	$37.8	
Other	4.3	42.1
Minority interest		.3
Equity of J. C. Penney Company, Inc.		10.0
		$88.4

Sarma, with sales of $191 million in 1969, is one of Belgium's leading retailers. At the end of December 1969 it operated 96 stores ranging from 2,000 to 45,000 square feet of net selling space under the Sarma and Nopri names. All stores offer groceries and related products in their food supermarkets, and most stores sell general merchandise and have restaurant facilities. In addition, Sarma operates a wholesale business, selling primarily food items to approximately 260 affiliated stores located throughout Belgium. Food sales account for more than 50 per cent of Sarma's total volume.

Number of stockholders thousands



To the Stockholders
and the Board of Directors
of J.C. Penney Company, Inc.

We have examined the balance sheet of J.C. Penney Company, Inc. and consolidated subsidiaries as of January 31, 1970 and the related statements of income and reinvested earnings for the 53 weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements together with the 1969 Review of Operations and Financial Information on pages 22 to 28 present fairly the financial position of J. C. Penney Company, Inc. and consolidated subsidiaries at January 31, 1970 and the results of their operations for the 53 weeks then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Peat, Marwick, Mitchell & Co.

New York, N.Y.
March 25, 1970

Statement of Income	53 weeks ended January 31, 1970	52 weeks ended January 25, 1969
Sales	$3,756,091,636	$3,322,621,612
Costs and expenses		
Cost of goods sold, occupancy, buying and warehousing costs	2,675,191,295	2,357,372,360
Selling, general and administrative expenses	809,442,134	707,489,380
Interest	50,406,233	30,563,031
Total costs and expenses	3,535,039,662	3,095,424,771
Income before Federal income taxes	221,051,974	227,196,841
Federal income taxes	110,125,000	117,945,000
Net income	$ 110,926,974	$ 109,251,841
Per share of common stock		
Primary	$2.15	$2.12
Fully diluted	2.08	2.08

Statement of Reinvested Earnings		
Reinvested earnings—beginning of year	$ 548,298,205	$ 485,019,818
Net income for the year	110,926,974	109,251,841
Dividends	(52,012,328)	(45,973,454)
Reinvested earnings—end of year	$ 607,212,851	$ 548,298,205

See 1969 Review of Operations and Financial Information on pages 22 to 28.

Assets	January 31, 1970	January 25, 1969
Current assets		
Cash	$ 62,446,854	$ 59,329,260
Receivables, net	65,135,904	86,100,257
Merchandise inventories	696,646,510	613,246,304
Properties to be sold under sale and leaseback agreements	—	18,637,151
Prepaid expenses	26,817,198	15,082,740
Total current assets	851,046,466	792,395,712
Investment in subsidiary companies	139,586,749	95,240,887
Properties, net	368,950,131	289,698,786
Other assets	1,449,047	10,223,215
	$1,361,032,393	$1,187,558,600

Liabilities	January 31, 1970	January 25, 1969
Current liabilities		
Accounts payable and accrued liabilities	$ 332,715,780	$ 334,356,567
Due to J. C. Penney Financial Corporation	107,197,222	—
Dividend payable	12,921,100	12,496,900
Federal income taxes	11,175,643	29,634,203
Deferred credits, principally tax effects applicable to installment sales	100,400,000	78,400,000
Total current liabilities	564,409,745	454,887,670
Long term debt	125,000,000	125,000,000
Deferred credits, principally tax effects applicable to depreciation	15,200,000	12,400,000
Stockholders' equity		
Preferred stock without par value: Authorized, 5,000,000 shares—issued, none		
Common stock, par value 50¢: Authorized, 75,000,000 shares—issued, 51,684,213 shares	49,209,797	46,972,725
Reinvested earnings	607,212,851	548,298,205
Total stockholders' equity	656,422,648	595,270,930
	$1,361,032,393	$1,187,558,600

See 1969 Review of Operations and Financial Information on pages 22 to 28.

Results for year (In millions)	
Sales	
Credit sales—per cent of total sales	
Income before Federal income taxes	
Per cent of sales	
Net income	
Per cent of sales	
Per cent of stockholders' equity	
Dividends	
Increase in reinvested earnings	
Depreciation	
Capital expenditures	
Per share results	
Net income—primary	
—fully diluted	
Dividends	
Financial position (In millions)	
Working funds*	
Customer receivables, net	
J. C. Penney Financial Corporation	
J. C. Penney Company, Inc.	
Merchandise inventories	
Long term debt	
Stockholders' equity	
Retail facilities	
Penney stores—full line	
—soft line	
Treasury stores	
Catalog sales centers	
Thrift Drug stores	
Store space—in millions of gross square feet	
—in millions of square feet of net selling space	
Stockholders and employees	
Number of stockholders	
Number of employees	

*Working funds consist of current assets less current liabilities excluding deferred tax effects applicable to installment sales.

1969	1968	1967	1966	1965	1964
$3,756.1	$3,322.6	$2,881.3	$2,665.0	$2,382.5	$2,145.6
37.0	36.1	35.9	33.7	31.8	29.3
221.1	227.2	169.9	149.8	147.0	129.4
5.9	6.8	5.9	5.6	6.2	6.0
110.9	109.3	91.6	80.7	80.1	69.1
3.0	3.3	3.2	3.0	3.4	3.2
18.6	20.7	19.1	18.2	19.7	18.8
52.0	46.0	45.6	43.6	43.4	37.7
58.9	63.3	46.0	37.2	36.8	36.9
31.7	28.7	27.0	24.0	20.1	17.3
138.8	126.7	110.7	71.4	46.4	40.5
2.15	2.12	1.78	1.57	1.56	1.35
2.08	2.08	1.78	1.57	1.56	1.35
1.00	.90	.90	.86	.86	.75
387.0	415.9	272.0	293.8	293.4	271.1
674.8	532.5	483.2	439.9	298.7	188.0
25.7	56.7	13.8	12.7	63.0	101.1
696.6	613.2	484.8	489.2	395.2	319.0
125.0	125.0	—	—	—	—
656.4	595.3	528.7	480.1	442.8	405.9
208	176	141	108	82	52
1,438	1,476	1,517	1,548	1,582	1,619
10	10	6	5	5	5
944	660	637	565	458	405
171	157	148	138	131	123
68.0	63.8	57.7	52.2	48.4	45.2
37.2	34.9	31.5	28.4	26.3	24.4
62,992	58,124	54,551	54,489	54,074	52,356
105,000	98,000	89,500	79,000	67,500	58,000

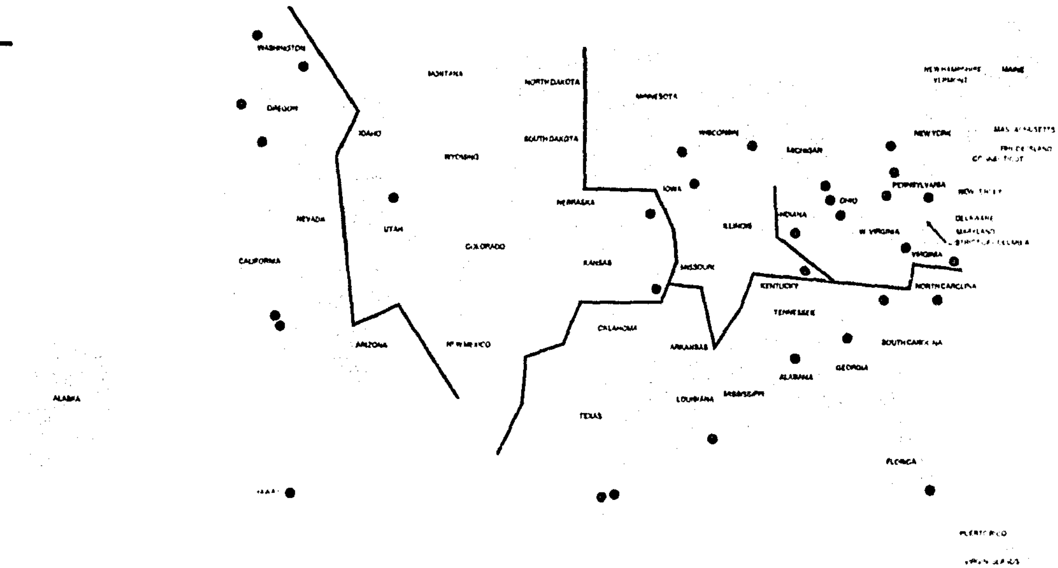
Penney Store Space Opened in Fiscal 1969

Date opened	City, state, shopping center	Gross square feet of store space
February 12, 1969	*Columbus, Ohio (Westland Shopping Center)	209,026
February 27, 1969	*Lafayette, Louisiana (Northgate Shopping Center)	184,222
February 27, 1969	*Marion, Ohio (Southland Shopping Center)	109,042
March 13, 1969	*Kinston, North Carolina (Vernon Park Mall Shopping Center)	108,626
April 16, 1969	Salt Lake City, Utah (Cottonwood Mall)	183,312
April 16, 1969	*Toledo, Ohio (Woodville Mall)	156,621
April 24, 1969	*Staunton, Virginia (Staunton Regional Shopping Center)	78,758
April 30, 1969	†*Shenandoah, Iowa (Downtown)	30,494
May 1, 1969	Buffalo, New York (Seneca Mall)	201,715
May 13, 1969	*Monroeville, Pennsylvania (Monroeville Mall)	201,860
May 18, 1969	*Bradford, Pennsylvania (Bradford Mall)	85,734
June 4, 1969	Montclair, California (Montclair Plaza)	179,624
July 30, 1969	*Downey, California (Stonewood Shopping Center)	188,418
July 31, 1969	York, Pennsylvania (York Mall)	136,642
August 14, 1969	*Gainesville, Georgia (Lakeshore Shopping Center)	110,318
October 1, 1969	*Columbus, Indiana (Columbus Center)	61,164
October 8, 1969	*Bremerton, Washington (Downtown)	175,534
October 15, 1969	*Kennewick, Washington (Columbia Center)	182,438
October 15, 1969	*Pittsburg, Kansas (The Mall)	74,944
October 16, 1969	Rochester, Minnesota (Apache Mall)	128,196
October 23, 1969	*Sheboygan, Wisconsin (Kohler Memorial Mall)	155,206
November 5, 1969	*Klamath Falls, Oregon (Shasta Plaza)	107,765
November 12, 1969	Waialae, Hawaii (Kahala Shopping Center)	78,385
January 5, 1970	*High Point, North Carolina (Westgate Plaza)	135,198
January 7, 1970	Eugene, Oregon (Valley River Shopping Center)	217,960
January 7, 1970	*Waterloo, Iowa (Crossroads Center)	223,414
January 8, 1970	Fairfield, Alabama (Western Hills Mall)	199,796
January 8, 1970	Louisville, Kentucky (The Mall)	199,265
January 14, 1970	Pompano Beach, Florida (Fashion Square)	176,268
January 15, 1970	*Norfolk, Virginia (Military Circle)	222,494
January 22, 1970	*Alice, Texas (Sagewood Mall)	46,017
January 22, 1970	*Corpus Christi, Texas (Padre Staples Mall)	201,818
Gross store space opened in fiscal 1969		4,750,274
Less stores closed		606,010
Increased gross square feet		4,144,264
Increased square feet of net selling space		2,178,767

*Relocation of store in current market
†No auto center

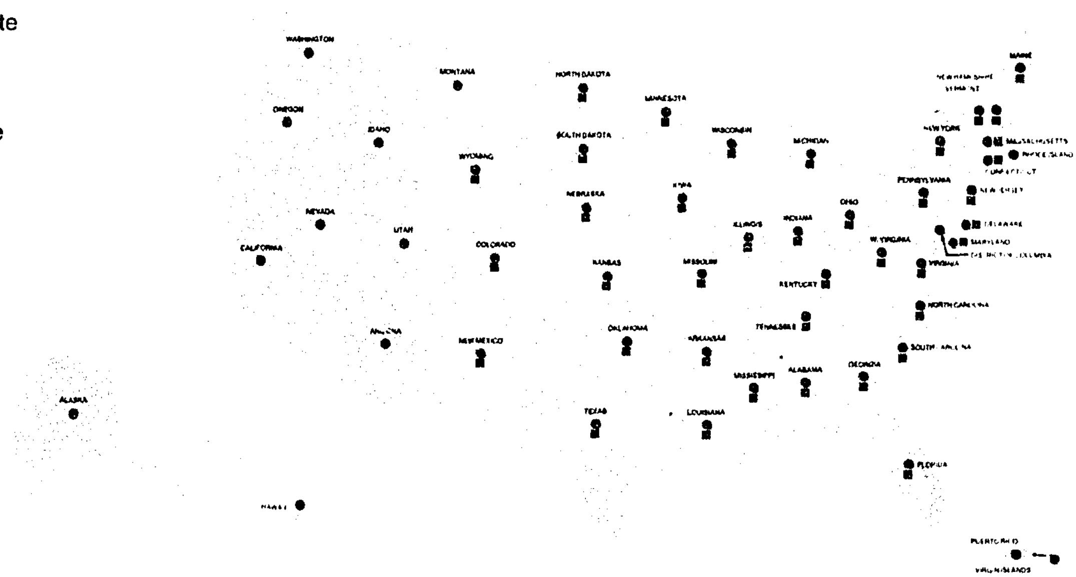
Regional Locations of Penney Stores Opened in Fiscal 1969

- Store Locations
- Penney Regions ———



Penney Catalog Operations Coverage

- Catalog Desks in State
- Served by Atlanta Distribution Center
- Served by Milwaukee Distribution Center



Directors

J. C. Penney
Company Founder

Kenneth S. Axelson
Vice President

William K. Barry
Vice President

William M. Batten
Chairman of the Board

Oakley S. Evans
Vice President

Ray H. Jordan
Retired,
formerly President,
J. C. Penney Company, Inc.

Walter J. Neppl
Vice President

Wellington Powell
Retired, formerly
Vice President-Marketing,
American Telephone and
Telegraph Company

Donald V. Seibert
Vice President

Charles T. Stewart
Vice President

George S. Stewart
Vice President

Cecil L. Wright
President

Walter B. Wriston
President,
First National City Bank and
First National City Corporation

Officers

William M. Batten
Chairman of the Board

Cecil L. Wright
President

Robert L. Adair
Vice President and Controller

Kenneth S. Axelson
Vice President and
Director of Finance and
Administration

William K. Barry
Vice President and General Merchandise
Manager of Soft Lines

Jack F. Behrendt
Vice President and
Director of The Treasury Stores

Woodrow P. Campbell
Vice President and
Director of Distribution and
Materials Management

Andrew Cumming
Vice President and
Director of Personnel

Oakley S. Evans
Vice President and
Director of Corporate Development

Robert B. Gill
Vice President and
General Merchandise
Manager of Hard Lines

Wallis G. Hocker
Vice President and
General Credit Manager

Oscar J. Hunter
Vice President and
Eastern Regional Manager

Jack B. Jackson
Vice President and
Southern Regional Manager

Arthur Jacobsen
Vice President and Director of Consumer
Financial Services

Lee S. Moore
Vice President and Sales Manager

Walter J. Neppl
Vice President and General Sales and
Merchandise Manager

Stanley J. Putman
Vice President and
Mountain Regional Manager

Foster E. Sears
Vice President and
Director of Real Estate

Donald V. Seibert
Vice President and
Director of Catalog Sales
and Operations

Charles T. Stewart
Vice President, General Counsel and
Director of Public Affairs

George S. Stewart
Vice President and Director of Stores

George M. Stone
Vice President and
Director of Government
and Public Relations

Robert R. Van Kleek
Vice President and
Western Regional Manager

Harold L. Wright
Vice President and
Central Regional Manager

Paul R. Kaltinick
Treasurer

Albert W. Driver, Jr.
Secretary

John B. Hebard
Assistant Treasurer

Archibald E. King, Jr.
Assistant Secretary

J. David Silvers
Assistant Secretary

Elting H. Smith
Assistant Secretary

John F. Wood
Assistant Controller

Transfer Agents

Chemical Bank
20 Pine Street
New York, New York 10015

The Northern Trust Company
50 South LaSalle Street
Chicago, Illinois 60603

Registrars

The Chase Manhattan Bank, N.A.
1 Chase Manhattan Plaza
New York, New York 10015

Continental Illinois National Bank
and Trust Company of Chicago
231 South LaSalle Street
Chicago, Illinois 60690

Annual Meeting

Our annual meeting of stockholders will be held at 10 a.m. Tuesday, May 19, 1970, in the Fairmont Hotel, Dallas, Texas. You are cordially invited to attend. A proxy statement, including a request for proxies, will be mailed to stockholders on or about April 17, 1970. Your prompt attention to the proxy statement will be appreciated.